



The Appalachian region was home to more than 25 million people in 2010, covering 420 counties in 13 states from New York to Mississippi. Once highly dependent on mining, forestry, agriculture, chemical, and heavy industries, the region's economy has become more diverse in recent times. The region now includes diverse manufacturing and professional and technical service industries, as well as several auto manufacturing plants and a vast network of suppliers.

Appalachia has come a long way. In 1965, one in three Appalachians lived in poverty. The average poverty rate from 2005-09 was 15.4%, close to the national average. The number of high poverty Appalachian counties (where the poverty rate is at least 1.5 times the U.S. average) declined from 295 to 120 over that period of time. These gains have transformed the region from one of widespread poverty to one of great contrasts. Some communities have successfully diversified their economies, while others are still isolated and require basic educational and infrastructure improvements such as roads and water and sewer systems.

Despite this progress, Appalachia still does not enjoy the same economic vitality and living conditions as the rest of the nation. The region's traditional industries such as mining, manufacturing, textiles, and paper and wood products have faced intense global competition and are in decline. Population outmigration is among the worst in the nation, and there is continuing concern about the decline in Appalachia's "prime age" workforce—workers between the ages of 25 and 55. The Central Appalachian region in particular still battles economic distress, with concentrated areas of high poverty, unemployment, poor health, and severe educational disparities. During this recession the Appalachian region fared far worse than the nation and was battered by job losses and structural economic changes.

The role of the Commission is to make targeted investments in human and physical capital that will help Appalachia reach parity with the rest of the nation. The region's isolation and its difficulty with diversifying its economy over past decades are major factors contributing to the gap in living standards and economic achievement. This era of intense global competition requires a special emphasis on identifying assets and opportunities, overcoming barriers to progress, and helping the people of Appalachia become a globally competitive workforce.

Economic challenges: Appalachia's lost decade

- Over the course of this recession, the Appalachian Region lost all of the jobs gained since 2000.

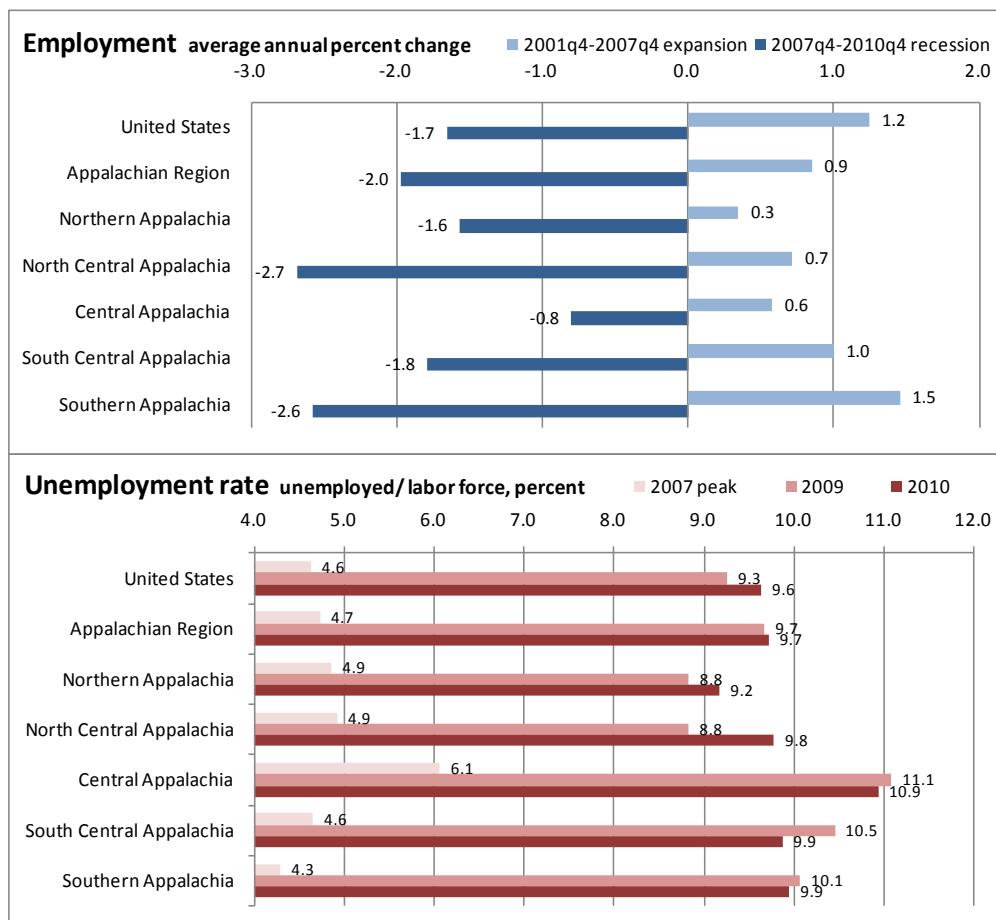
- Two-thirds of Appalachian counties have unemployment rates that are higher than the national average.

- Employment growth in Appalachia averaged 0.9% per year during the economic expansion from 2001-2007, compared to 1.2% per year for the nation as a whole.

- The unemployment rate averaged 9.7% in Appalachia in 2010, compared to 9.6% for the nation as a whole (unadjusted data). This figure does not account for "discouraged workers" who gave up the job search and left the labor force altogether.

- Of the 420 counties in Appalachia, only 35 had positive employment growth from 2007q4 to 2010q4.

- From 2000 to 2008 Appalachia lost more than 59,000 (15.0%) jobs in farming, forestry, and natural resources, and 473,000 (24.6%) manufacturing jobs.





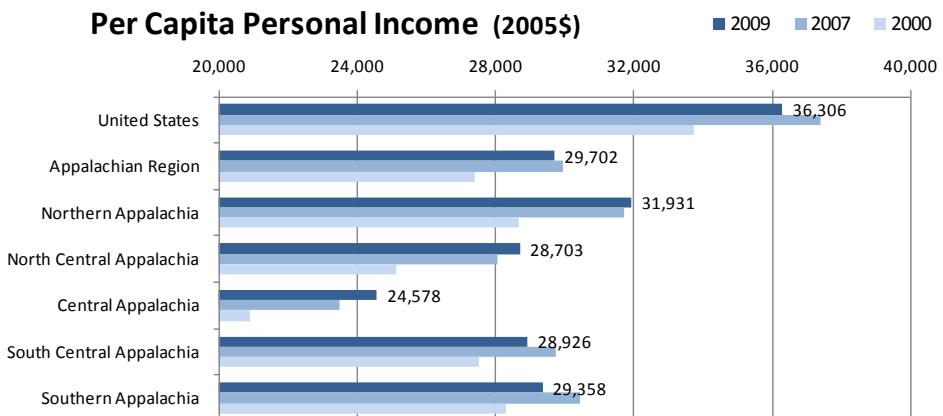
Income is lower in Appalachia

- Per capita market income (personal income less transfer payments) was 25% lower than the nation in Appalachia in 2009. In Central Appalachia it was 47% lower.
- Per capita personal income was 18% lower than the nation in 2009.
- Appalachian proprietors earned 27% less than the national average.
- Proprietors' earnings were less than 75% of the national average in the Appalachian portion of every state except Alabama, Pennsylvania, Tennessee, and West Virginia.
- Per capita investment income was 30% lower in Appalachia. In Central Appalachia it was only 43% of the national average. These measures of wealth declined significantly since the beginning of the decade.
- Population growth in Appalachia between 2000 and 2010 was 6.8%, compared to 9.7% for the nation.
- Net population loss occurred in 271 Appalachian counties between 2000 and 2010, compared with 83 counties in the previous decade.
- The proportion of adults in Appalachia with a college degree was 20.4% in 2005-2009, compared to 27.5% for the nation. In Central Appalachia, less than 12% of adults have a college degree.
- College graduation rates are lower than the nation in the Appalachian portion of every state. Less than 20% of adults have a college degree in the Appalachian portion of Kentucky, Maryland, Mississippi, Ohio, Tennessee, Virginia, and West Virginia.
- Appalachia has higher rates of cancer, heart disease, and diabetes than the nation, and it is much more difficult to access treatment and affordable health care.
- ARC investments create jobs and opportunities for economic growth. In the last 5 years ARC investments provided over 124,000 households with public water and sewer systems that also enabled new and existing businesses to expand.

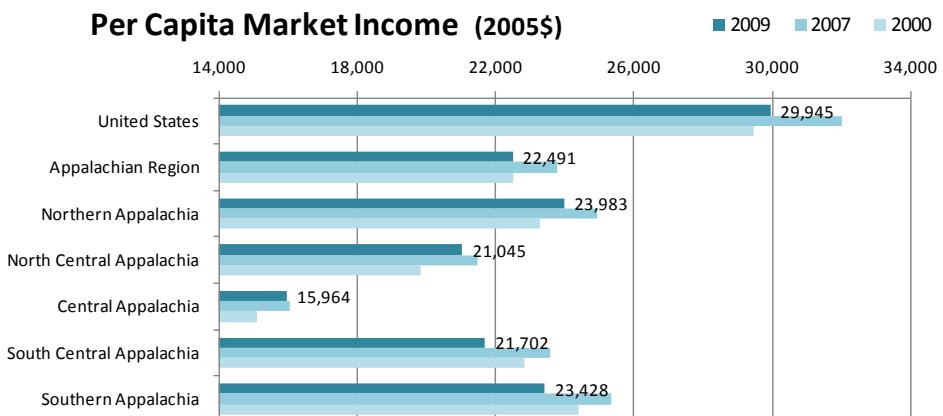
Economic Overview of Appalachia- 2011

Sources: Bureau of Labor Statistics, Bureau of Economic Analysis, U.S. Census
 Current dollars are adjusted for inflation using the PCE chained price index, base year=2005

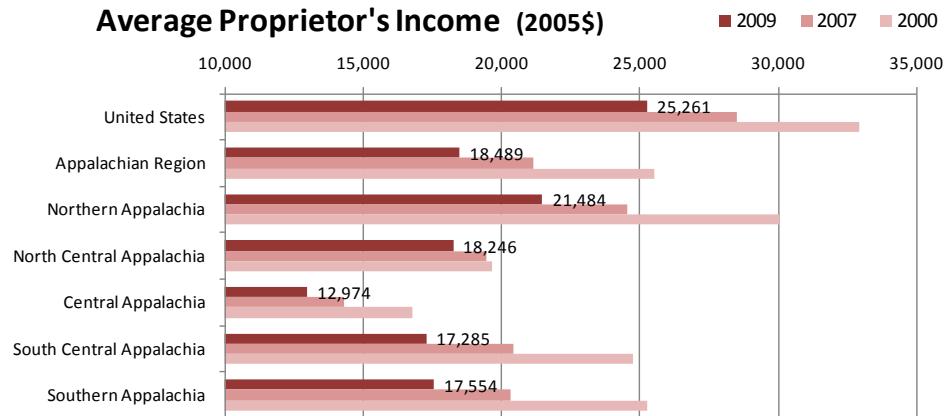
Per Capita Personal Income (2005\$)



Per Capita Market Income (2005\$)

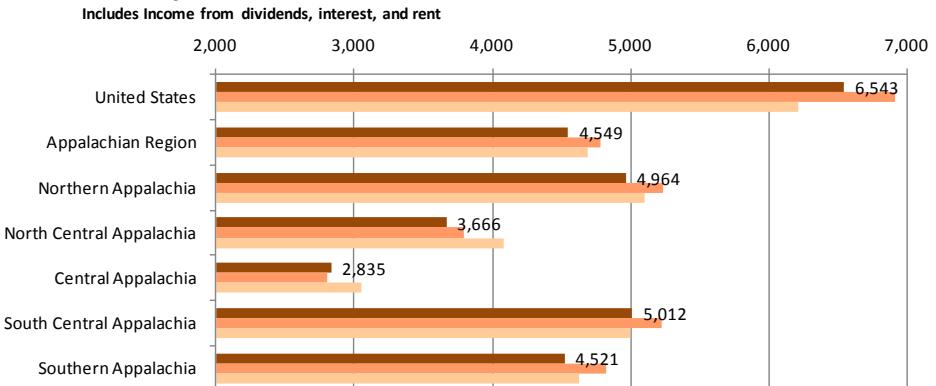


Average Proprietor's Income (2005\$)



Per Capita Investment Income (2005\$)

Includes Income from dividends, interest, and rent





Employment change by Industry

The industries with the greatest job growth in Appalachia from 2000-2008 were Mining (39.7%), Finance, Insurance, and Real Estate (31.1%), Professional and Technical Services (24.7%), and Health and Social Services (23.5%).

Industries that lost jobs over this period included Manufacturing (-24.6%), Farming (-15.0%), Utilities (-13.4%), and Federal Government (-5.0%). Manufacturing employment declined at a faster rate than the nation in every region except Central Appalachia.

Employment Shares

The industries with the highest shares of total employment in Appalachia were Food, Lodging, and Entertainment (14.5%), Retail Trade (11.6%), State and Local Government (11.5%), Professional and Technical Services (11.1%), Health and Social Services (10.7%), and Manufacturing (10.9%). The industries with the smallest shares of total employment were Utilities (0.4%), Mining (1.0%), Federal Government (1.9%), Farming (2.5%), and Education (3.2%).

Employment Index

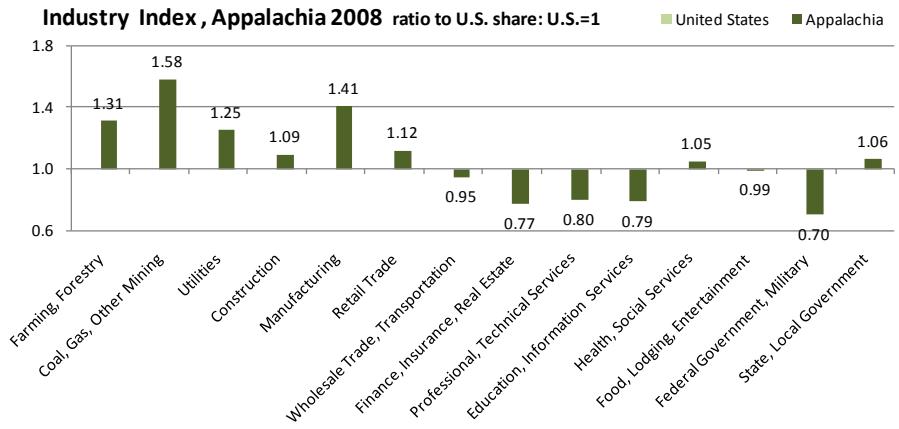
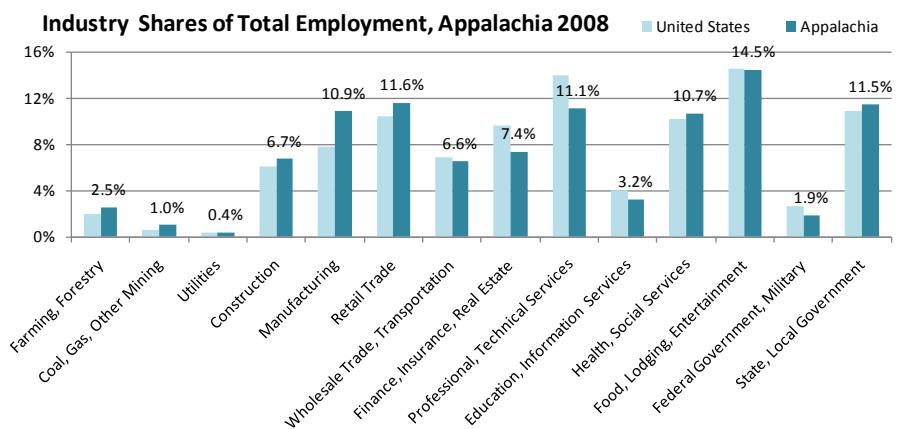
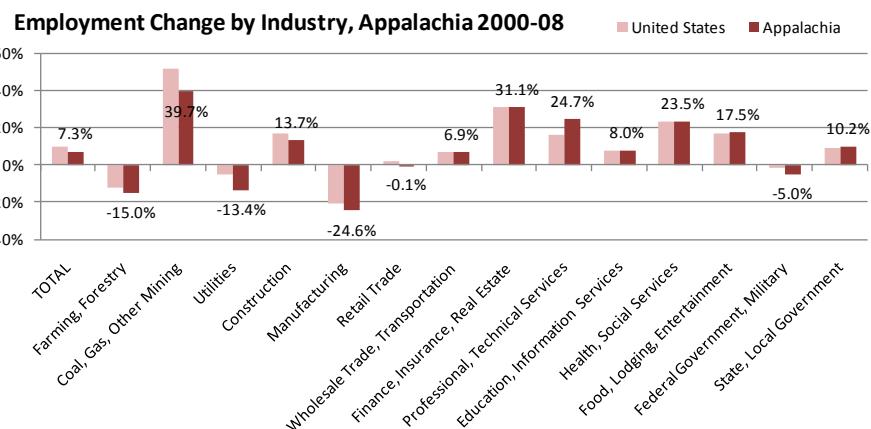
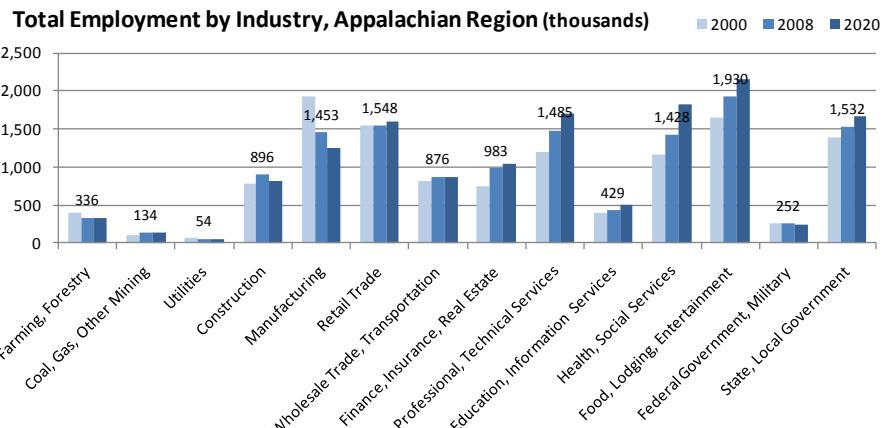
The most highly concentrated industries in Appalachia include Mining (1.58 times the national share), Manufacturing (1.41), Farming and Forestry (1.31), and Utilities (1.25). The industries with the lowest concentration included Federal Government (0.70), Finance (0.77), Education and Information Services (0.79), and Professional and Technical Services (0.80).

It is important to note that the industry sectors with relatively low concentrations in Appalachia (Finance, Education and Information Services, and Professional and Technical Services) had some of the highest growth rates from 2000-2008.

The reverse is also true: the industry sectors with relatively high concentrations in Appalachia are the industries that contracted over that period (Farming and Forestry, Manufacturing, and Utilities). This phenomenon largely explains why employment growth in Appalachia lags behind the nation during boom years and falls further during recessions. The notable exception to this rule is Mining, which experienced exceptional growth over the last decade.

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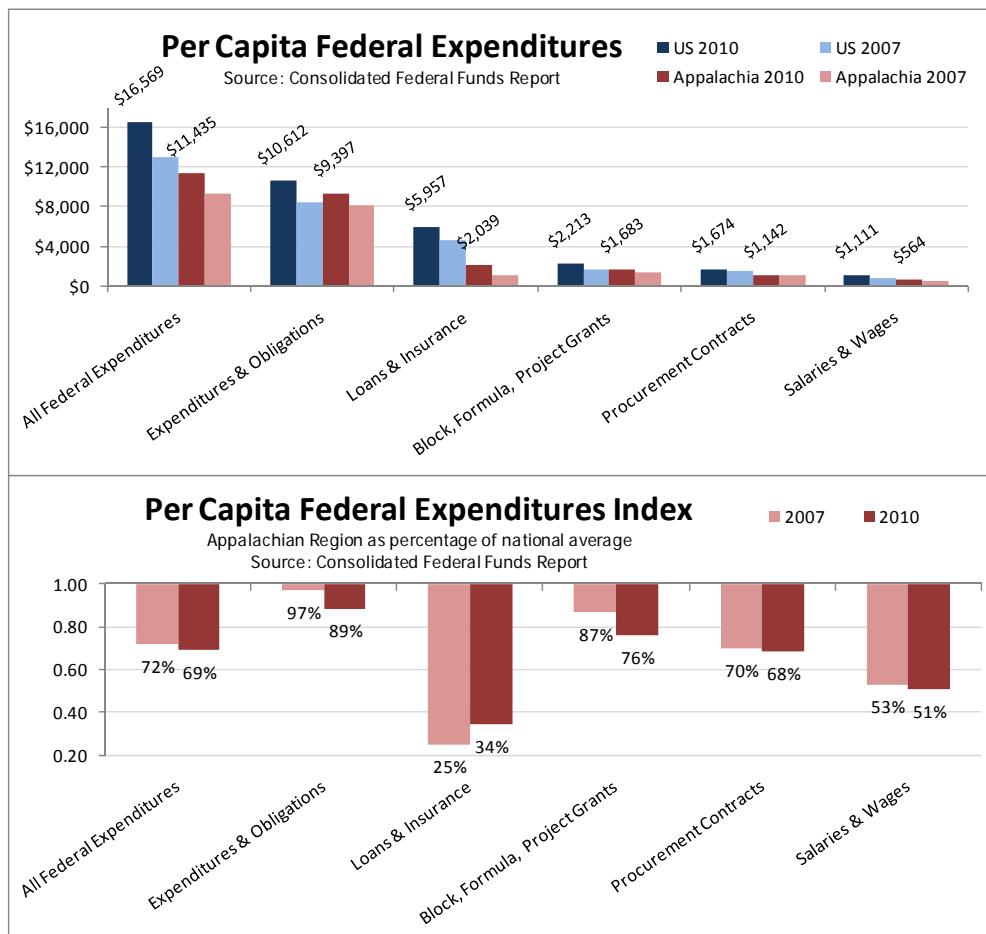
Per Capita Federal spending lags in Appalachia

Despite significant investment in infrastructure and economic development over the years, the Region receives 31% less Federal expenditures per capita than the national average: \$11,435 for the Region vs. \$16,569 for the nation.

These disparities exist in every major category of spending except retirement and disability payments. Procurement contracts were 68% of the national average, salaries and wages were 51%, and loans and insurance were only 34% of the national average.

Appalachia has been unable to take advantage of programs that could help mitigate long-standing problems due to a lack of human, financial, and technical resources, geographic isolation, disproportionate social and economic distress, low household incomes, and a declining tax base.

The Region requires additional technical and financial assistance to meet future needs, and will continue to have difficulty reaching economic parity with the nation as long as public and private investment does not keep pace with the level of need.



ARC makes targeted investments that promote economic growth and opportunity

The Appalachian region's isolation and its difficulty with diversifying its economy are major factors contributing to the gap in living standards and economic growth. ARC investments in human and physical capital help to create jobs and economic opportunity. Between 2006 and 2010, ARC investment **served 124,733 households** with infrastructure, provided education and training for **102,630 students and trainees**, and **created or retained 137,422 jobs**.

- **Business development** ARC investment of \$93.6 million leveraged \$329.3 million of other public investment and \$2.4 billion of private investment that enhanced entrepreneurship and helped market new products and services.
- **Education and workforce development** reduced gaps in educational attainment, enhanced job opportunities, and increased lifetime earning potential for thousands of students and trainees.
- **Water and wastewater systems** provided thousands of households with public water and sewer systems that also enabled new and existing businesses to relocate and expand.
- **Highways and access roads** reduced production and transportation costs and improved access to global markets.
- **Telecommunications** served dozens of communities with improved broadband access, which is essential to today's commerce, education, and health care.
- **Energy efficiency and renewable energy projects** \$4.3 million of ARC investment leveraged \$18 million in private investment that improved energy efficiency and reduced business costs.
- **Health care** investments served over 450,000 patients in underserved areas.



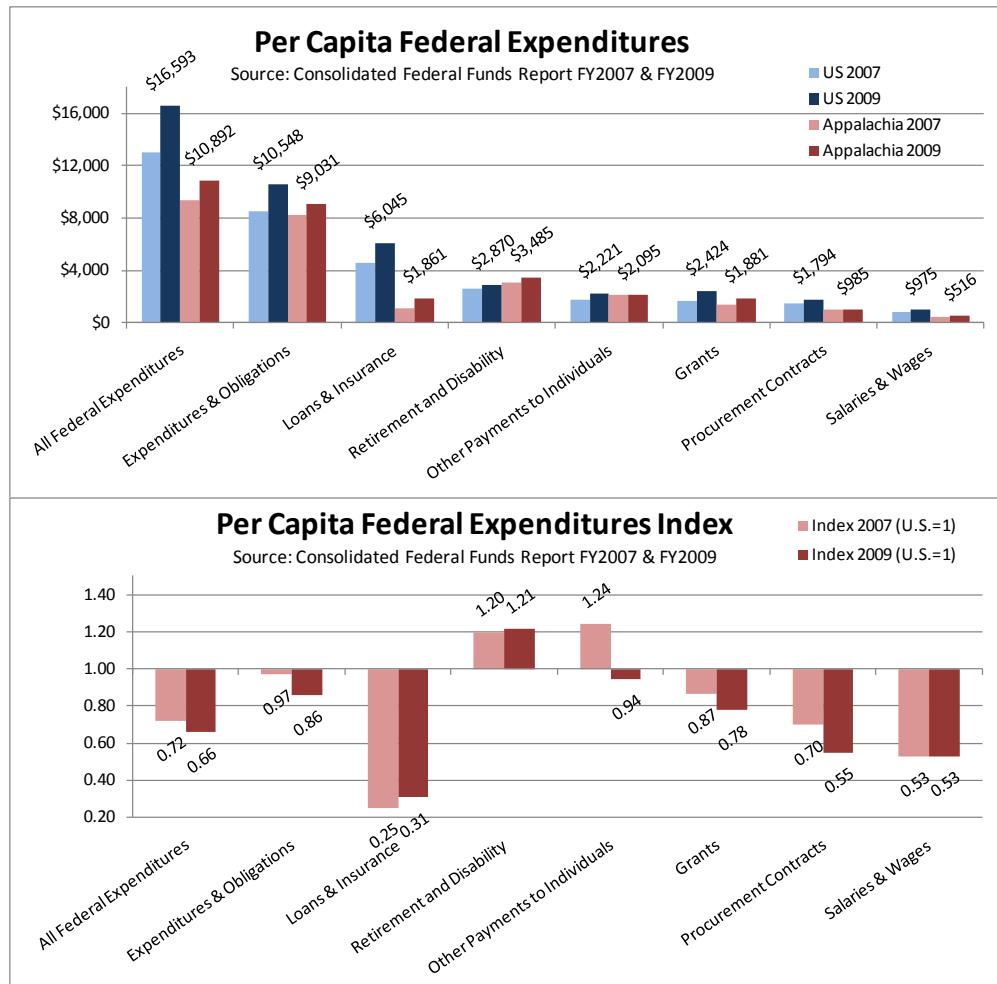
Per Capita Federal spending lags in Appalachia, and the gap is widening

Despite significant investment in infrastructure and economic development over the years, the Region receives 33% less Federal expenditures per capita than the national average: \$10,892 for the Region vs. \$16,593 for the nation.

These disparities exist in every major category of spending except retirement and disability payments. Procurement contracts were 55% of the national average, salaries and wages were 53%, and loans and insurance were only 31% of the national average.

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